SERVICE CENTER FISCAL MANAGEMENT

JANUARY 2024 TRAINING
University of Colorado
Denver | Anschutz Medical Campus
Finance Office
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What is a Service Center?

- A unit providing services or goods to other University departments on a recurring basis
- Service or user fees are assessed to recover the center’s operating expenses
  - *It is possible to subsidize these fees to charge less than cost*
- Charges should not exceed break-even or “at cost” rates
  - Grant or affiliate agreements
  - *Non-Discriminatory rates for all internal users (including affiliates)*
- Not for a profit – charge at break-even rates
- May serve public too – but majority of customers should be internal
- Core Laboratories – centralized, fiscally self-sustained units established to provide unique laboratory or professional services in an economic or efficient manner to research purposes
  - *Sponsored core & Auxiliary core*
  - *Member and non-member rates*
Should You Establish a Service Center?

CU Anschutz/Denver Review & Approval Process for New Service Centers

**Department Level**

Start -> Determine the need to establish a service center.

- Yes: Can the service needs be met elsewhere?
  - No: Is it a long-term need? >12 months?
    - Yes: Complete the Service Center Cost Study and submit to Finance Office
    - No: Send a Copy of Approval to School Dean’s/VC Officials for approval.
  - Yes: Review Service Center Cost Study

- No: Notify Department of Approval

**Finance Office**

Approved? Yes -> Notify Department of Approval

No -> Review Service Center Cost Study

Dean’s Office/VC Official Approval

**School/VC Officials**

Send a Copy of Approval to School Dean’s/VC Officials for approval.

Set-up New Service Center New Org and Speedtype

End
Steps to Establish a New Service Center

1. Submit Cost Study Proposal to Finance Office at Finance.ServiceCenters@ucdenver.edu
2. Finance review/approval
3. Route to DFA/Dean’s Office for approval
4. Submit Chartfield Forms to Finance.ServiceCenters@ucdenver.edu
5. New Org set up
6. New speedtype set up
7. Ready to go!
Why A Cost Study is Required

• Assessed rates must be in compliance with federal costing policies or any governing rules or agreements
  • Costs must be directly related to the operation (direct or indirect costs)
  • Only allowable costs are included in the rate assessment

• Minimize audit risk
  • Cost studies to substantiate the “at-cost” rates
  • Cost studies for service centers with annual revenues exceeding $50,000 are reviewed by the Finance Office
  • Newly established service centers, to maintain appropriate rates

• Consequences if not in compliance
  • Return of funds
  • Penalty
  • Jeopardizing grant funding
What is in a Cost Study?

• A descriptive overview of goods or services provided
• A description of the customer base
• List of subsidy and support sources
• Prior year numbers for comparison
• All allowable operating costs including…
  • Direct costs
  • Indirect costs
  • Labor
  • Consumables
  • Depreciation
  • Overhead charges (GIR and GAR)
• Projected sales/service quantities, usage and revenue
• Calculation or allocation of the assessed rates (break-even)
• Approval from DFA/Administrator.
# Cost Study Templates

<table>
<thead>
<tr>
<th>Top-Down Template</th>
<th>Bottom-Up Template</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This approach goes from general to specific</td>
<td>• This approach begins at specific details and builds on those to see the big picture</td>
</tr>
<tr>
<td>• Identify the big picture first and all of its components</td>
<td>• Typically recommended for new service centers</td>
</tr>
<tr>
<td>• Requires history and greater knowledge to come up with a reliable pricing plan</td>
<td>Pros:</td>
</tr>
<tr>
<td></td>
<td>• Generally, more accurate</td>
</tr>
<tr>
<td></td>
<td>• Better for new service centers without a history to base the cost study on</td>
</tr>
<tr>
<td><strong>Pros:</strong></td>
<td></td>
</tr>
<tr>
<td>• Can be time saving for well-established service centers</td>
<td>• More accurate and better suited when history/knowledge is lacking</td>
</tr>
<tr>
<td><strong>Cons:</strong></td>
<td>• More time consuming</td>
</tr>
<tr>
<td>• Often less accurate</td>
<td></td>
</tr>
<tr>
<td>• Less detailed</td>
<td></td>
</tr>
</tbody>
</table>
How to do a Cost Study
Three Step Process

1. Gather data
2. Organize data
3. Input data into cost model
Cost Study

Step 1: Gather Data

• Labor (direct v. indirect)
  • Direct Labor includes people working on the goods and services.
  • Indirect Labor includes those supervising them, who have no actual impact on service/product. But their labor is related to the service center, and allowable

• Operating supplies & services

• Overhead costs
  • GAR 7% at Anschutz; 4.96% without salary
  • GAR is 6% at Denver
  • GIR $21.00 per square foot

• Equipment and Depreciation

• Sales and service usage projection
Cost Study
Step 1: Gather Data – Suggested Reports

- Labor
  - m-Fin Compensation Summary
  - m-Fin Payroll Fiscal Year Detail

- Operating supplies & services
  - m-Fin Actuals by Fiscal Year
  - m-Trial Balance Summary

- Equipment and Depreciation
  - Quarterly Depreciation Schedule reports
Cost Study
Step 2: Organize Data

- Labor
  - Include benefits
  - Percent of effort in service center
  - Productive time, administrative time
  - Grant subsidy

- Operating supplies and services
  - Identify costs to specific product or service

- Capital equipment
  - PO # or Tag #
  - Include non-federal depreciation
COST STUDY
Step 3: Enter Data in Model

• Select template model (top down or bottom up)
• Allocate costs appropriately
  • Top down or bottom up
  • Depends on number of services and ability to redeploy slack time to other projects.
  • By unit of sale (e.g. hour, piece, service)
  • Affects utilization check figure
• Calculate rate for various services
Final Notes

• When submitting your cost study, please ensure that the Ending Net Position for FY25 is not in a deficit; any cost studies indicating a deficit will be returned.
Important Service Center Issues

- Billing Rate Rules
- Billable Hours
- Rate Setting
- Depreciation
- Operating Reserve
- Timely Billing
- Deficit/Surplus
Billing Rate Rules

• Actual and reasonable costs – break even rates
• Unallowable costs:
  • Bad debts, entertainment, fundraising, internal interest
  • Capital equipment (depreciation only allowed)
  • [Full list see Federal Regulations](#)
• Rates must be:
  • based on a cost study
  • published
  • stated in a measurable unit
  • reviewed and adjusted annually
  • non-discriminatory between federal & non-federal
Billable Hours

• Time Shrinkage
  • 40 hours/week x 52 weeks/year = 2,080 hrs.
    • Less holidays
    • Less vacation time
    • Less sick leave time
    • Less meeting time, break-time
    • Less administrative duties

<table>
<thead>
<tr>
<th>Total Hours</th>
<th>Total Hours in Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation</td>
<td>22</td>
</tr>
<tr>
<td>Sick</td>
<td>15</td>
</tr>
<tr>
<td>Holidays</td>
<td>10</td>
</tr>
<tr>
<td>Daily</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>Estimated % of Day doing Production</td>
</tr>
<tr>
<td>Total Hours</td>
<td>1,448</td>
</tr>
<tr>
<td>Minutes</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>70%</td>
</tr>
</tbody>
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Rate Setting

- Beware of excessive optimism estimating demand
  - make realistic forecasts
- Compare to market
  - Reality check
  - If no market, maybe survey.
- Compare to prior year rates
Depreciation

- Depreciation is included in the cost study to set aside funds to replace capital equipment
  - Depreciation funds are transferred quarterly
  - Funds are set aside in a Fund 72
- Equipment costing $5,000 or more is considered Capital Equipment and is depreciated
- Note: Equipment purchased from a Fund 30 or 31 does not accrue depreciation – as it is purchased with Federal Funding
Operating Reserve

• Operating capital
• Build into rates
• Prevent deficits & Smooth rates
• Maximum allowed reserve is 60 days of operating expenses
Surplus vs. Deficit

• Surplus – occurs when actual revenues are more than actual costs.
• Deficit – occurs when actual revenues are less than actual costs.
• Unexpected surplus or deficit?
  • Consult your financial statements
• Surplus and Deficits roll over to the next year’s cost study
  • Adjust operating reserve to smooth rates
Timely Billing

• Require speedtype before rendering service.
• Journal internal billings at least monthly.
• Improves cash flow
• Timely grant billing
• Timely invoicing and revenue accrual for external sales

If you have any additional accounting issues for your service center please contact the accounting help desk at finance.accountinghelp@ucdenver.edu or (303) 724-9610. For any iLab billing issues, please contact Karina Patino-Guzman at karina.patino-guzman@cuanschutz.edu
iLab

• What is iLab?
  • iLab is a web-based enterprise software solution composed of a base software suite and add-on modules and integrations. The software facilitates service requests, customers, and project management, as well as billing and invoicing, among other functions.

### FY23-24 iLab Core Software Rates

<table>
<thead>
<tr>
<th>Core Size</th>
<th>Annual Revenue</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>&lt;$100K</td>
<td>$ 4,241.25</td>
</tr>
<tr>
<td>Medium</td>
<td>$100K - $1M</td>
<td>$ 6,825.43</td>
</tr>
<tr>
<td>Large</td>
<td>&gt;$1M</td>
<td>$ 10,603.11</td>
</tr>
</tbody>
</table>
Policy & Template

Service Center Web Page
• https://www.cuanschutz.edu/offices/finance-office/services-resources/services/service-centers

Policy Web Page
Got to the UCD website: ucdenver.edu
➢ Resources For → Faculty/Staff
➢ University Policies → Finance Policies
➢ Scroll down and select “Internal Service Centers & Core Lab Policy”
Dates & Deadlines

• January 17th, 2024 - Cost Study Overview

• January – February 2024 – Workshops
  • One-on-one workshops available to help you with your cost study. Please email karina.patino-guzman@cuanschutz.edu to schedule.

• March 15th, 2024 – Deadline to Submit Cost Studies to Finance
  • Cost studies submitted in May/June will have lengthy review/delayed approvals.
Feedback

We value your feedback and are here to support you with your service centers.

We will send a survey where you can anonymously submit your feedback after this session.
Questions?

• Service Center Mailbox
  • Finance.ServiceCenters@ucdenver.edu

• Karina Patino-Guzman, Finance & Accounting Program Manager
  • karina.patino-guzman@cuanschutz.edu

• Accounting Help
  • 303-724-9610
  • Finance.accountinghelp@ucdenver.edu
  • Zac Gonzales, Patrice Avalos, Elizabeth (Betty) Downes & Hart Jarrell.